IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

SPECIAL CIVIL APPLICATION No 9461 of 2002

For Approval and Signature:

Hon'ble MR.JUSTICE M.S.SHAH

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1. Whether Reporters of Local Papers may be allowed to see the judgements? : NO

2. To be referred to the Reporter or not? : NO

3. Whether Their Lordships wish to see the fair copy of the judgement? : NO

4. Whether this case involves a substantial question of law as to the interpretation of the Constitution of India, 1950 of any Order made thereunder? : NO

5. Whether it is to be circulated to the concerned Magistrate/Magistrates,Judge/Judges,Tribunal/Tribunals? : NO

G.K. JETHVA

Versus

STATE OF GUJARAT

Appearance:

1. Special Civil Application No. 9461 of 2002

MR HRIDAY BUCH for Petitioner No. 1-29

MR RV DESAI, AGP for Respondent No. 1-3

MR HM PRACHCHHAK for Respondent No. 4

CORAM : MR.JUSTICE M.S.SHAH

Date of decision: 03/10/2002

ORAL JUDGEMENT

This petition is filed by the employees of Kutiyana Municipality (hereinafter referred to as "the respondent Municipality"). It is the case of the

petitioners that in 1998 the employees of the respondent Municipality were granted the benefit of 5th Pay Commission pay scales w.e.f. 1.1.1996 and now the Chief Officer of the Municipality proposes to take away that benefit in view of the instructions issued by the Director of Municipalities, Gujarat State on 23rd July, 2002.

The learned counsel for the petitioners has referred to the decision dated 30-7-2002 of this Court in Special Civil Application No.3532 of 2002 in support of the contention that even if the staff expenditure is in excess of 45%, the permanent employees who are appointed on the sanctioned set-up of the Municipality need not be made to suffer if excess takes place on account of recruitment of daily wagers or regularisation of daily wagers.

The learned counsel for the petitioners has submitted that the Chief Officer had no power to reduce the pay scales once the pay scales were given by the Municipality. It is further submitted that the petitioners are permanent employees of the Municipality for whose salary, the Municipality is spending only 18.08% and, therefore, the expenditure is within the limit prescribed by the Director of Municipalities.

2. Mr RV Desai, learned AGP for the Director of Municipalities points out that the Director has issued instructions that 5th Pay Commission pay scales are not to be paid by a Municipality which is spending more than 45% of their income on the salaries and wages to the employees.

Mr Desai has placed reliance on the decision in Meman Aslam vs. Director of Municipalities, 1994 (1) GLR 446 laying down that in taking any decision under Section 260 of the Act neither the Director nor the Municipality in implementing such a decision is required to give hearing to any employee.

3. As per the figures produced by the learned counsel for the respondent-Municipality, the income of the Municipality in the year 2001-2002 was Rs.58,80,035/- and the salary bill of all the employees was Rs.56,66,758/- i.e. 90.85% of the income of the Municipality appears to have been spent on the salary and allowances of the employees.

4. The learned counsel for the petitioners has submitted that if the salaries and allowances paid to the

employees who are allocated employees like the petitioners (employees appointed by the Gram/Nagar Panchayat) and the employees subsequently appointed upon the establishment of the Municipal Borough in 1994, the percentage of salary bill would be less, but it is on account of the employees who had obtained interim orders of this Court that the salary bill has substantially gone up.

5. It is true that on account of the interim relief granted by this Court in Special Civil Application Nos. 196 and 198 of 2002, those petitioners are getting salaries in the 5th Pay Commission pay-scales to the tune of Rs.17.78 lacs which works out to 28.5%. However, in view of the facts presently stated on behalf of the Municipality, the interim relief granted in Special Civil Application Nos. 196 and 198 of 2002 is being vacated. Hence, this ground will not survive. Even then the salary bill would be far in excess of the 45% limit.

In any view of the matter, when the object of the instructions is to ensure that more than 45% of the income of the Municipality is not spent on staff salaries so that the remaining amount remains available for the public services and civic amenities, there is no need to make any exception for the salaries paid to the allocated employees and other employees. Mr Desai, learned AGP has also pointed out that the Municipality has spent the amounts out of the P.F. amounts otherwise payable to the employees and that the unpaid bills to the GEB also work out to more than Rs.46 lacs and the outstanding loan amount is more than Rs.1.18 Crores. The outstanding education cess amount is also Rs.24.82 lacs. The outstanding salaries are Rs.20,00,000/-. With these huge outstandings payable, there cannot be any scope of payment of salaries to the employees in the 5th Pay Commission pay-scales.

6. Section 260 of the Gujarat Municipalities Act, reads as under:-

> 260. Power of Director to prevent extravagance in the employment of establishment:
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> If in the opinion of the Director the number of persons who are employed by a municipality as officers or servants, or whom a municipality proposes to employ or the remuneration assigned by the municipality to those persons or to any particular person is excessive the municipality shall, on the requirement of the Director reduce

the number of the said persons or the remuneration of the said person or persons.

Provided that the municipality may appeal against any such requirement to the State Government whose decision shall be conclusive.

The underlined words clearly show that the Director of Municipalities is vested with the power to instruct the Municipality to reduce the remuneration to the persons who are employed by a Municipality as officers or servants. The contention that the Chief Officer cannot pass the order is, therefore, without authority as the Municipality itself is bound to comply with the direction of the Director of Municipalities under Section 260 of the Act.

7. So also it is not possible to accept the contention that Section 260 of the Act does not apply to the salary of the regularly appointed staff on the sanctioned set up of the Municipality. The title of Section 260 states in unmistakable terms that the section confers power on the Director to prevent extravagance in the employment of the establishment i.e. the staff. The section also recognizes that such extravagance can take place by the Municipality employing staff in excess of its requirements or by payment of excessive remuneration to the staff, even if there is no overstaffing or by both overstaffing and excessive payment. Excessiveness or unreasonableness will obviously have to be judged with reference to the availability of funds with the Municipality. The Director can, therefore, examine all the facets.

8. As regards the contention about the alleged violation of principles of natural justice, a Division Bench of this Court in Meman Aslam Hussain G. & Ors. vs. Director of Municipalities & Anr., 1994 (1) GLR 446 has already considered the provisions of Section 260 of the ACt and held that neither the Director issuing the direction under Section 260 of the Act or the Municipality implementing such decision is required to give any opportunity of hearing to the employees. It has been held in the said decision as under :-

"The Director merely takes an administrative or management decision which ordinarily should be taken by the Municipality itself, as to what should be the strength of the staff and what measures should be taken to reduce the excessive staff or prevent extravagant employment. When

> the Municipality has failed to act in a prudent manner, the Director is enabled to issue directions to the Municipality to achieve these purposes which are purely management functions and policy decisions. In taking such decisions, the Municipality is not required to give any hearing nor the Director is required to give hearing to any employee. The decision of the Director does not directly affect any particular employee. Therefore, there is no question of giving any hearing to such person and there is no violation of principles of natural justice."

This decision does not appear to have been brought to the notice of the learned Single Judge while deciding Special Civil Application No. 3532 of 2002. Hence, this Court is bound by the decision of the Division bench in Meman Aslam's case (Supra).

9. By now it is well settled that the principles of natural justice are not in a straight jacket formula and their application depends on the facts and circumstances of the case. As indicated hereinabove, the object of the instructions is to prevent the Municipality from indulging into extravagance expenditure on the staff. Whether the expenditure can be controlled by reduction of the staff or by reduction of the salary or by both is a matter which is to be looked into by the Director of Municipalities. In any case, the permanent employees are also being given an opportunity to make appropriate representation to the Director of Municipalities but till then the funds of the Municipality need not be saddled with the excessive liability for which the limit is now fixed by the Director of Municipalities exercising statutory powers under Section 260 of the Act.

10. As regards the contention that there are other employees like daily wager employees whose salary bill takes the salary amounts beyond 45% and, therefore, the permanent employees should not suffer, it is to be noted that the instructions are issued by the Director of Municipalities with the wholesome purpose that the substantial income of the Municipality should not be spent on salary of the employees, otherwise very little amount will be left for providing services to the residents in the town for whose benefit the Municipality is constituted. If the Director of Municipalities, who has been vested with the statutory powers under Section 260 of the Act, has taken the policy decision that 45% is the reasonable percentage beyond which the Municipality should not spend for the salaries and wages of its

employees, no fault can be found with such decision and the said percentage would, therefore, include the salaries and wages payable to all the employees irrespective of their status whether they are permanent or temporary or daily wagers.

It is not the case of the petitioners herein that they are prepared to do the work of the daily wagers and, therefore, the daily wagers' services would not be required. As indicated hereinafter, the issue is not closed. The Director of Municipalities will finally examine the matter in the totality of the facts and circumstances of the case and, therefore, the protection claimed by the petitioners is not required to be granted till the Director finally decides the matter.

11. If the Municipality wants to make appointment of employees in excess of the sanctioned set-up or even on the sanctioned set up, the Municipality will have to obtain the permission of the Director under Section 260 of the Act regarding their appointment/remuneration and while considering such proposal, the Director of Municipalities will have to consider whether the proposal of the Municipality is reasonable or not and to what extent it is required to be accepted. In case the Municipality itself does not make such a proposal, but the permanent employees are of the view that on account of excessive and illegal recruitment of the daily wagers, the Municipality has to spend more than the required amounts of salaries and wages to the daily wagers and other illegally recruited persons, it would be open to such permanent employees to submit a joint representation to the Director of Municipalities and in such a case also, the Director of Municipalities shall consider such representation after giving an opportunity of hearing to the Municipality as expeditiously as possible and preferably within six months, but the Municipality is not required to continue to pay salary as per the fifth Pay Commission pay scales until such exercise is undertaken and final decision is taken by the Director of Municipalities.

12. While considering the question whether the expenditure incurred by the Municipality on its staff is excessive (for which the Director has presently fixed the limit at 45% of the income of the Municipality), the Director shall consider, inter alia, the following aspects:-

(i) While computing the income of the Municipality, its revenue income, octroi grant and salary grant being

received by the Municipality from the Government/Municipal Finance Board shall be taken into consideration.

(ii) While computing the salary bill of the Municipality, the salary and allowances paid/payable to the employees on the sanctioned set up as well as other set up and to daily wager employees shall also be taken into consideration, with the break-up of regularly appointed employees on the sanctioned set up, those not on the sanctioned set up but appointed with the sanction of the Director of Municipalities and thirdly daily wagers appointed or regularized without the sanction of the Director of Municipalities.

(iii) The Director of Municipalities shall also consider the suggestion being made on behalf of the petitioners that when the Municipality is required to pay the salary to the Chief Officer in the Fifth Pay Commission pay-scales, it would be discriminatory to direct the Municipality not to pay such pay-scales to other employees. It will be open to the Director to consider the above and suggest to the Government to reimburse to the Municipality difference between the salary payable to the Chief Officer as per the 5th Pay Commission pay-scales and the salary payable to the Chief Officer as per the 4th Pay Commission pay-scales.

(iv) The directions dated 23.7.2002 of the Director for withdrawing the 5th Pay Commission pay-scales are with prospective effect and not with retrospective effect. Hence, the directions are issued only for the limited purpose of stopping the payment of salaries in the Fifth Pay Commission with future effect. Hence, dismissal of the petition by this Court shall not be construed as requiring the Municipality to recover the amounts already paid to the employees in the past on the basis of Fifth Pay Commission pay-scales.

(v) Even where the present income of the Municipality may not be sufficient to pay its employees salaries in the fifth Pay Commission pay scales, the Director shall not merely stop at giving such findings, but shall take steps; at an appropriate time and stage, and after consultation with the appropriate authorities and bodies, for suggesting ways and means of increasing the income of the Municipality/ies including recommendations to the State Government for introducing and/or amending the relevant statutory rules for fixing the minimum rates of taxation under Section 104 of the Gujarat Municipalities Act, 1963.

(vi) The Director shall reserve liberty to the Municipality that after an adequate increase in the revenue income of the Municipality, it will be open to the Municipality to reconsider the matter and to submit a fresh proposal to the Director of Municipalities with full justification for enhancing the pay scales for its employees.

13. Subject to the aforesaid directions, the petition is accordingly dismissed. Notice is discharged. Ad-interim relief granted earlier stands vacated.

14. At this stage, the learned counsel for the petitioner prays that the ad-interim relief granted earlier may be continued for some time in order to enable the petitioner to have further recourse in accordance with law.

The learned AGP and the learned counsel for the Municipality oppose the request.

14. In view of the fact that continuation of the ad-interim relief would mean directing the Municipality to incur an unreasonable portion of its income on the staff salary, the ad-interim relief does not deserve to be continued, particularly when the Court has found that the petition deserves to be dismissed and is dismissed.

(M.S. Shah,J)
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